Contents

Introduction to the series	:
Foreword	6
Preface	•
Table of contents	1
GLOSSARY OF SYMBOLS	13
Chapter 1. Introduction	1.5
1.1. Equilibrium price relationships	15
1.1.1. Free trade	1.5
1.1.2. Nondiscriminatory tariff-ridden trade, free of quan	
tative restrictions	15
1.1.3. Three conventions	17
1.1.4. Discriminatory tariff-ridden trade, free of quantitati	
restrictions	19
1.1.5. Trade subject to quantitative restrictions	20
1.2. Definitions	20
1.3. The cast	21
Chapter 2. Preferential trading and investing clubs i	25
2.1. Constant terms of trade	26
2.2. Variable terms of trade	32
Chapter 3. Preferential trading and investing clues in	39
3.1. Constant world prices	41
3.1.1. The formation of a preferential trading club	43
3.1.2. The formation of a preferential investing club	49
3.1.3. The formation of preferential trading and investing clul	bs 52
3.2. Variable world prices	52
Chapter 4. Free trade associations i	67
4.1. Constant terms of trade	67
4.2. Variable terms of trade	79

12 Contents

Chapter	5. Free trade associations 11	89
Chapter	6. Customs unions i	95
6.1.	Constant terms of trade	96
	6.1.1. Union with high level of protection	97
	6.1.2. Union with low level of protection	101
	6.1.3. Union with average level of protection	102
6.2.	Variable terms of trade	104
	6.2.1. Union with high level of protection	104
	6.2.2. Union with low level of protection	110
	6.2.3. Union with average level of protection	113
6.3.	Summary of conclusions concerning customs unions	114
Chapter '	7. Customs unions a	117
7.1.	Union with a high level of protection	119
7.2.	Union with a low level of protection	122
	Union with average level of protection	1 2 3
Chapter :	8. Optimal preferential trading arrangements	125
8.1.	Optimal policy with unbounded tariffs	126
8.2.	Optimal policy with bounds on tariffs	127
	8.2.1. A community of dissimilar countries	128
	8.2.2. A community of similar countries	134
	8.2.3. Policy-making with tariff-discrimination outlawed	135
8.3.	r r r	
	trade associations and customs unions	136
	8.3.1. A community of dissimilar countries	136
	8.3.2. A community of similar countries	137
Appendix	C. OPTIMAL TARIFFS AND OPTIMAL CONSUMPTION TAXES	141
A.1.	Optimal tariffs	141
A.2.	Optimal consumption taxes	144
Reference	æs	148
INDEX		149